

Minutes
North Dakota Public Employees Retirement System
Thursday, July 17, 2003
Blue Cross Blue Shield Office
107 W Main
Bismarck, ND
8:30 A.M.

Members Present:	Mr. Weldee Baetsch Mr. David Gunkel
Via Conference Call	Mr. Howard Sage Ms. Rosey Sand Ms. Sandi Tabor
Via Video Conference	Chairman Jon Strinden
Member Absent:	Ms. Arvy Smith, Health Department
Others Present:	Mr. Sparb Collins, Executive Director NDPERS Ms. Kim Humann, NDPERS Ms. Kathy Allen, NDPERS Ms. Rebecca Fricke, NDPERS Ms. Sharmain Dschaak, NDPERS Mr. Bryan Reinhardt, NDPERS Mr. Scott Miller, Attorney General's Office Ms. Rhonda Peterson, BCBSND Mr. Tom Tupa, INDSEA Mr. Howard Snortland, AFPE Mr. Don Bitz, Job Service North Dakota Mr. Wayne Kindem, Job Service North Dakota Ms. Sheila Vetter, Job Service North Dakota Ms. Mary Schwab, Job Service North Dakota
Via Video Conference	Mr. Larry Brooks, BCBSND

Chairman Strinden called the meeting to order at 8:30 a.m.

MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the June 19, 2003 meeting.

MR. SAGE MOVED APPROVAL OF THE JUNE 19, 2003 NDPERS BOARD MINUTES.
MS. TABOR SECONDED THE MOTION.

RETIREMENT

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Job Service (Informational)

Mr. Don Bitz, Job Service North Dakota, distributed handouts to the Board on the Funding Components and Investment History for the Job Service Retirement Plan. Mr. Bitz provided an overview of this information to the Board.

Job Service - Contracts (Board Action Requested)

Ms. Allen indicated upon assuming the administration of the Job Service Retirement Plan effective August 1, 2003, there are some contracts/agreements currently in effect that will transfer to NDPERS effective August 1, 2003. These include the following:

<u>Name</u>	<u>Services</u>	<u>Renewal</u>
The Segal Company	Consulting/Actuarial	January 1, 2004
State Investment Board	Investment Manager	
The Travelers	Benefit Payment Services	October 1, 2003
Department of Labor	Compromise Agreement For Unfunded Liability	

Included with the board materials was a brief summary of each contract which included the actions necessary to transfer them to PERS as recommended by Mr. Scott Miller, legal counsel. Discussion followed.

- Staff recommended the Board approve the transfer of the Job Service contracts with the State Investment Board and Department of Labor to NDPERS and amend them to acknowledge the change in plan administrator.
- Staff recommended the Board approve the renewal of the Travelers benefit payment agreement for one year subject to an acceptable service fee proposal.
- Staff recommended the Board approve the renewal of the Segal contract through June 30, 2004.

Mr. Gunkel recommended amending the Investment Policy Statement to reflect the NDPERS Board is now the Plan Administrator.

MR. GUNKEL MOVED APPROVAL OF STAFF RECOMMENDATION AND THE CHANGE TO THE INVESTMENT POLICY STATEMENT. MR. BAETSCH SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Sage, Sand, Tabor and Chairman Strinden

Nays: None

PASSED

Retirement Funding (Board Action Requested)

As the Board had discussed during the last year and most recently relating to the interest on employee account balances the retirement systems funding level has decreased in the last several years due to the investment losses. Consequently, the Board may need to consider and discuss the need to ask for an increase in the retirement contributions (Main, Judges & HP) and the retiree health program. Alternatively the Board could decide not to seek additional contributions in recognition that in the long term this should correct itself if

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the assumed rate of return and asset allocation are accurate. In either case, a decision should be made by December so any appropriate legislation can be drafted and submitted to the Legislative Employee Benefits Committee. To assist in making this decision, staff suggested devoting some time at each of the upcoming meetings to discuss the funding status of the various retirement plans and retiree health program. Included with the board materials was a proposed schedule of discussion items. Also, staff has begun discussions with RIO/TFFR and the employee groups to have a series of town hall type forums around the state in January and February to discuss investments, retirement and health. Members and retirees of both systems would be invited to these meetings. Ms. Sand requested staff to inquire how TFFR plans to address this same issue and update the Board. By general consensus, the Board agreed to move forward with the action plan proposed by staff.

Plan Document Changes (Board Action Requested)

Mr. Collins indicated Senate Bill 2058 provided that an employer could make supplemental contributions to the Defined Contribution plan. One of the steps to implement this was to amend the Defined Contribution Plan Document. Segal developed the necessary amendments. Included with the board materials was a draft of the changes for the Board's review and comments.

MS. SAND MOVED TO APPROVE THE AMENDMENTS TO THE DEFINED CONTRIBUTION PLAN DOCUMENT. MS. TABOR SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Sage, Sand, Tabor and Chairman Strinden

Nays: None

PASSED

Law Enforcement System Contract (Board Action Requested)

Included with the board materials was a draft of the Participant Agreement form that staff proposed to use for employers wishing to participate in the National Guard/Law Enforcement Retirement System. The waiver of membership form and PEP agreement will be the same as that used for the Main system. Staff recommended approving the proposed draft document.

MS. TABOR MOVED TO APPROVE THE DRAFT EMPLOYER PARTICIPATION AGREEMENT FOR THE NATIONAL GUARD/LAW ENFORCEMENT RETIREMENT SYSTEM. MR. SAGE SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Sage, Sand, Tabor and Chairman Strinden

Nays: None

PASSED

NDAC 71-02-03-01 (Informational)

Ms. Fricke indicated staff was currently in the process of reviewing the ND Administrative Code as it relates to NDPERS. She reviewed with the Board a section of existing rules relating to free service credit that has been in place since the 1980's. This was being

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brought to the Board's attention to review its continued applicability and to determine if the Board would like staff to make any changes to this section. This particular section relates to service credit. Discussion followed. Mr. Gunkel recommended staff outline the pros, cons and options for changing this for the Board to review at the next meeting.

Social Security EVS (Board Action Requested)

Mr. Reinhardt indicated he was working with the Social Security Administration (SSA) to use their Enumeration Verification System (EVS) to check the data of the NDPERS membership. This would ensure NDPERS has the correct SSN on file for our membership and that we are not paying benefits to any deceased members. Mr. Reinhardt conveyed a problem had arisen in that no one at the SSA would sign our agreement which was necessary for confidentiality purposes. Mr. Reinhardt sought out the opinion of Mr. Scott Miller, legal counsel. Mr. Miller determined as a result of legislative amendments to the statute, effective August 1, 2003, PERS could disclose that information to the SSA without an agreement provided the Board determined it was necessary for operational purposes. Staff recommended the Board approve the submission of NDPERS data to SSA.

MS. SAND MOVED TO APPROVE THE SUBMISSION OF NDPERS DATA TO THE SOCIAL SECURITY ADMINISTRATION FOR CROSS CHECKING SOCIAL SECURITY NUMBERS BECAUSE IT IS NECESSARY FOR THE OPERATIONAL PURPOSES OF THE AGENCY. MS TABOR SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Sage, Sand, Tabor and Chairman Strinden

Nays: None

PASSED

Investments/Investment Subcommittee (Board Action Requested)

Mr. Collins reviewed an issue relating to the mutual fund offerings in the Defined Contribution and Deferred Compensation plans. The investment policies provide a method for both of these plans whereby a fund can be closed in two ways. 1) To all participating or 2) to future participants. The Fred Alger fund was closed approximately a year ago in the Defined Contribution plan. At the last board meeting a motion was made to close the Strong Opportunity Fund to future participants in both the Defined Contribution plan and the Deferred Compensation Companion plan. As staff has moved forward implementing the aforementioned action, our new relationship manager with Fidelity pointed out they can no longer close funds only to future participants due to the unique and manual work involved. Staff contacted VALIC (NDPERS Companion Plan provider) who indicated they had the same problem and same issue. The Investment Subcommittee met and is suggesting that since the funds can not be closed to future participants the funds should be put under formal watch underneath the Investment Policies. This would allow existing members to continue to contribute to those funds if they so elect, giving them the opportunity to income average out of it. By putting these funds under formal watch, it will advise the members that these funds are not meeting their investment objectives.

MR. SAGE MOVED TO APPROVE THE INVESTMENT SUBCOMMITTEE RECOMMENDATION TO PUT THE STRONG OPPORTUNITY FUND AND THE FRED

ALGER FUND ON FORMAL WATCH INSTEAD OF CLOSING THEM TO NEW INVESTMENTS. MR. BAETSCH SECONDED THE MOTION.

Ms. Sand inquired how members already invested in the funds would be notified of the formal watch. Mr. Collins conveyed it would be posted on the PERS Website and placed in the PERSpective newsletter. Discussion followed. Ms. Sand suggested a letter be sent to members invested in these funds notifying them of the formal watch action.

Mr. Sage amended his motion.

MR. SAGE MOVED TO APPROVE THE INVESTMENT SUBCOMMITTEE RECOMMENDATION TO PUT THE STRONG OPPORTUNITY FUND AND THE FRED ALGER FUND ON FORMAL WATCH INSTEAD OF CLOSING THEM TO NEW INVESTMENTS AND THAT A LETTER BE SENT NOTIFYING MEMBERSHIP CURRENTLY PARTICIPATING IN THE NDPERS COMPANION PLAN AND DEFINED CONTRIBUTION PLAN OF THE FORMAL WATCH ACTION. MR. BAETSCH SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Sage, Sand, Tabor and Chairman Strinden

Nays: None

PASSED

GROUP INSURANCE

EAP Update (Informational)

The Board was advised the EAP renewal process is complete. All agencies have either elected an EAP vendor for the next biennium or retained the one they had for 2001-2003 by default. All EAP vendors have signed the contract. Included with the board materials was a list of agencies and their EAP selections.

EPO Survey (Informational)

Mr. Brooks from BCBS, reviewed the highlights of the EPO survey conducted by BCBS. The survey is conducted to assess the satisfaction of NDPERS subscribers with their EPO benefits and services.

Member Survey (Informational)

Ms. Peterson from BCBS, provided the Board with a summary of the member service survey results conducted in February. The survey is conducted to assess the satisfaction of NDPERS subscribers with the BCBS Service Unit assigned to the NDPERS group.

Medicare Prescription Drugs (Informational)

Mr. Collins indicated there has been much discussion at the national level regarding adding prescription drug coverage to Medicare. Included with the board materials was a summary of the legislation that has been passed by the Senate and the House.

Health Video (Informational)

Mr. Collins pointed out that pursuant to the NDPERS business plan, staff is moving toward the use of the internet and other technologies for many of its services. One part of that is

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the use of video based technologies for benefit information instead of having enrollment meetings. Included with the board materials was the first video produced and it is for the health plan. This video is being distributed to many of our employer groups and is available on our web site.

MedCenter One (Informational)

Included in the board materials was updated information on the positive performance of MedCenter One in the EPO program. Also included in the board materials was an article that appeared in the Bismarck Tribune. Beyond the explanation given in that article, NDPERS has not heard anything from MedCenter One. Several meetings ago the Board discussed inviting MedCenter One to a meeting to share their thoughts on the EPO to assist in future planning. Staff included a draft letter in the board materials for the Board's review inviting MedCenter One to the August meeting. Mr. Collins distributed a draft survey staff developed to send out to MedCenter One EPO participants. Mr. Mike Potts and Mr. Steve Lindemann, BCBS, joined the meeting via video conferencing to share their thoughts on the MedCenter One EPO situation. Discussion followed. By general consensus, the Board recommended not to pursue this matter further.

Quarterly Health Graphs (Informational)

The quarterly health utilizations graphs for the 1st quarter of 2003 were included with the board materials.

Surplus Affordability Update (Informational)

The May surplus projection and affordability analysis for the NDPERS group medical plan were included with the board materials.

Formulary/Non-Formulary Drugs (Informational)

Mr. Collins pointed out several drugs had gone off the formulary/non-formulary list and now can be purchased over-the-counter without a prescription. This has resulted in a letter to board members indicating an individual's dissatisfaction with this decision. Dr. Carlisle, BCBS, joined the meeting via video conferencing, and provided the Board with a brief overview on the over-the-counter drug issue and implications it will have for members. Mr. Gunkel requested staff to send a letter on behalf of the Board to the member who sent the letter indicating the Board followed up on this matter with Dr. Carlisle and also requested Dr. Carlisle to write to the member to discuss the policy and procedures on this matter. Dr. Carlisle agreed to respond to the member who had sent a letter to the Board regarding this issue.

FLEXCOMP

FlexComp Plan Document (Board Action Requested)

Ms. Allen indicated Senate Bill 2060, passed during this last legislative session, contained a provision to change the eligibility requirements for the group insurance plans from "17 ½ hours per week and at least 5 months each year" to "20 hours per week and at least 20 weeks each year." The FlexComp plan's eligibility requirements are not in statute or rules; therefore, it is necessary to amend the Plan Document so the eligibility requirements for this plan will be consistent with those of the group insurance plans. Included with the board materials was the proposed amendment to change the eligibility requirements. Staff recommended board approval of the proposed amendment to the Plan Document.

MR. BAETSCH MOVED APPROVAL OF THE PROPOSED AMENDMENT TO THE FLEXCOMP PLAN DOCUMENT. MR. SAGE SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Sage, Sand, Tabor and Chairman Strinden

Nays: None

PASSED

MISCELLANEOUS

Certificate of Achievement (Informational)

Mr. Collins conveyed that NDPERS had been awarded the ***Certificate of Achievement for Excellence in Financial Reporting*** by the Government Finance Officers Association for NDPERS comprehensive annual financial report. This certificate of achievement is the highest form of recognition in the area of public employee retirement system accounting and financial reporting. Sharon Schiermeister is the person at NDPERS who is responsible for the preparation of this report.

August Meeting (Board Action Requested)

Mr. Collins indicated staff contacted the North Dakota Association of Counties (NDACo) as a possible location for future board meetings. Included with the board materials was a copy of the meeting room contract. Staff will be scheduling a test to make sure the connection works between NDACo and BCBS. Mr. Miller indicated the indemnification and hold harmless statements will have to be removed from the meeting room contract prior to signing. Mr. Miller and Mr. Collins will address this matter with the NDACo. By general consensus, the Board agreed to meet on August 28 at the NDACo location.

Chairman Strinden requested board members to send the Executive Director's evaluation forms to him.

Chairman Strinden called for any other business or comments. Hearing none, the meeting was adjourned at 11:00 a.m.

Prepared by,

Kim Humann
Administrative Assistant